

## New IRS Guidance on Participant Loan Cure Periods

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In a recent Chief Counsel Advise Memorandum, the IRS analyzed two factual scenarios in which a 401(k) plan participant missed certain loan payments. In the first scenario, the participant missed two consecutive installment payments, which were due in separate calendar quarters. Payments made subsequent to the missed payments were deemed to “cure” the prior missed payments, which resulted in a rolling cure period that would extend to the end of the calendar quarter following the quarter in which the last installment payment was made. Ultimately, the participant made a payment to the plan that included an amount for the two prior missed payments as well as the payment then due. Because all missed payments were cured within the applicable cure period, the IRS concluded that no deemed distribution of the loan proceeds had occurred. In the second scenario, the participant missed three consecutive payments, which were all due in the same calendar quarter. Before the end of the following calendar quarter, the participant refinanced the entire outstanding loan balance, which included the amount of the three missed payments. Because the entire loan was refinanced prior to the end of the applicable cure period, the IRS concluded that no deemed distribution of the loan proceeds had occurred. Although the memorandum may not be cited or used as precedent, it is instructive of the IRS’s view on the issue. [View the memorandum.](#)